



OFFICE OF THE GOVERNOR

To: Members of the California Delegation
From: Governor Edmund G. Brown Jr.
Date: June 6, 2017
Re: Proposed White House Budget

The White House budget would harm the state's ability to provide access to health care, extend support for housing and social services, protect our environment, strengthen our infrastructure, and keep people safe.

Due to the gravity of the proposed cuts, I wish to provide you in this memo with additional detail on what they will mean for California's government if they are enacted.

Health Care

The budget would change the **Children's Health Insurance Program** by cutting funding and capping eligibility, putting a large new burden on the state. It ends the increase in the enhanced-federal match rate, a change that we estimate will require \$397 million in additional state money this fiscal year and \$557 million next fiscal year. The cap would mean that only children coming from families who are at or below 250% of the federal poverty level would get federal support. Given that the state currently provides support to children in families up to 266% of poverty level and offers additional support through Medi-Cal access and the County Children's Health Initiative Program, these cuts would harm our ability to carry out these programs, which collectively serve hundreds of thousands of children in the state.

The budget would cut **Medicaid** by hundreds of billions of dollars through per-capita caps, with tens of billions in cuts to California alone. We estimate these changes will cost California \$680 million in fiscal year 2020, a figure that will rise to \$5.3 billion in fiscal year 2027. In addition, the American Health Care Act, if enacted, will impose further cuts by reducing the federal match percentage for new Medicaid expansion enrollees. Together, these proposals will devastate our ability to meet the needs of the 13 million people in California -- nearly one-third of our state -- who are enrolled in Medi-Cal.

Finally, the budget includes a number of other harmful cuts: cuts to the **Community Mental Health Services** block grant that last year provided \$69 million in funding to county mental health plans across the state; the elimination of the **Preventive Health and Health Services** block grant that funds 20 different programs at the state's Department of Public Health; the elimination of 14 health and nursing training programs that could make it harder to fill open positions; and cuts to health and biomedical research funds that are a key foundation of the state's research and innovation enterprise.

Social Services

The budget cuts the **Supplemental Nutrition Assistance Program** by \$191 billion over 10 years. A proportional cut to California would result in a \$1.6 billion annual decline in federal support to the state's CalFresh program, which serves more than four million people and is vital to food security.

The budget limits eligibility for the **Earned Income Tax Credit** and the **Child Tax Credit** by imposing new restrictions on undocumented Californians who seek to claim the credit. Given that more than two million people in California are undocumented, these cuts may have large repercussions on families and children who need this support.

The budget also cuts the **Temporary Assistance for Needy Families** program by 10 percent, which would result in hundreds of millions of dollars in cuts to low-income families in the state.

The budget eliminates the **Low Income Home Energy Assistance Program**. This program serves an estimated 219,265 households in California, the majority of which included vulnerable populations such as children, the elderly, and people with disabilities. The state received \$176.5 million in funding for this program last year to help households in need pay a gas or electric utility bill once per year, help them cope with emergency energy issues such as a breakdown of an in-home system or the effects of a natural disaster, and provide weatherization assistance.

The budget eliminates the **Social Services Block Grant**, depriving California of \$191 million in funding. California relies on these funds to help people with disabilities, improve child welfare, and support child care programs. We are also concerned that the White House may be proposing to eliminate the ability to transfer Temporary Assistance for Needy Families funding to the Title XX block grant, which is a key state authority granted under current Social Services Block Grant authorizing statutes. It is important to protect both core funding and the transfer authorities.

The budget eliminates the **Community Services Block Grant**, which last year provided \$63 million to California to help our state reduce poverty, help low-income families, and revitalize communities. Services range from assistance to the homeless to education and skills to health and housing. We estimate that this program serves 691,455 families that include 1,890,319 individuals. Without this support, funds for local community action agencies will be at risk.

Finally, the budget cuts support for a number of other important programs: the **Foster Grandparent Program**, a program funded by the Corporation for National and Community Service (which the White House proposes to eliminate) that receives \$1.2 million in funding to match people age 55 and above with more than 500 individuals with developmental disabilities; and the **Independent State Living Grants**, through which California receives \$1.9 million to help individuals with disabilities live independently with a higher quality of life.

Housing

The budget eliminates the **Community Development Block Grant** program, which provides vital funding for key housing and neighborhood support services. It is more than 40 years old

and is driven by local needs. California receives \$355 million in support. Of that total, \$27 million is allocated to the state and the balance went directly to local jurisdictions.

The budget eliminates the **HOME Investment Partnerships Program**. This program provides support for affordable housing for low-income families. California receives \$127 million in support. Of that total, \$31 million is allocated to the state and the remainder to local jurisdictions.

Finally, the budget includes a range of other cuts to the federal **Department of Housing and Urban Development** that would harm California families, including: cuts to housing vouchers and other rental assistance, raising the required tenant contribution, and work requirements. All of these cuts would further exacerbate the shortage of affordable housing in California.

Education

The budget reduces **Title I funding** for schools with high percentages of low-income families by more than \$500 million nationwide. This would mean tens of millions of dollars in annual cuts to California, which relies on Title I funding to serve more than 10,000 schools.

The budget eliminates the **Supporting Effective Instruction State Grants** program, through which California last year received \$242 million to help attract and retain good teachers and support their professional development.

The budget eliminates the **Student Support and Academic Enrichment** block grant, which provided California in the neighborhood of \$40 million, and the **21st Century Community Learning Centers Program**, which provided California with \$132 million. These funds were designed to improve school conditions, upgrade technology, and increase support for after-school and summer enrichment programs.

The budget eliminates the **Public Service Loan Forgiveness** program, which is an important tool to recruit new graduates to work for the state and is also useful for nonprofits.

Finally, the budget cuts grants to states under the **Individuals with Disabilities Education Act**. Given that this Act is already below full-funding levels, these cuts would especially harm the state as we work to provide students with disabilities with the educational services they need.

Labor and Workforce Development

The budget cuts funding for the **Workforce Innovation and Opportunity Act** as well as funds for **Wagner-Peyser** career-center employment services. Tens of thousands of Californians rely on these services to prepare for and find good jobs.

The budget eliminates the **Migrant and Seasonal Farmworker** program, under which the state receives \$19 million to help farmworkers and their families receive job training as well as information on unemployment insurance, disability insurance, and workplace rights.

The budget eliminates the **Senior Community Service Employment Program**, through which California received \$7.5 million in federal funding to help low-income adults aged 55 and above develop skills and find work.

The budget cuts funds for **apprenticeships** by more than 5 percent. California has more than 75,000 active apprentices and seeks to expand this vital workforce development program.

The budget may reduce **unemployment insurance** funding and use a solvency standard that could cost California businesses an additional \$5.7 billion in federal unemployment insurance taxes over a five-year period. The budget also changes the **Individual Unemployability (IU)** rating in a way that could cause thousands of veterans to lose income. While this program should be studied, we must make sure we do not harm vulnerable veterans who have earned the right to compensation for injuries and disabilities that they incurred through service.

Finally, the budget cuts the **Susan Harwood Training Grant** program, which awarded more than a million dollars to California nonprofits to help them educate and train workers in the state to know and exercise their workplace rights.

Science, Energy, and Agriculture

The budget cuts the **National Institutes of Health** budget by \$5.8 billion. A cut of this magnitude would devastate our scientific enterprise and reverberate across California's renowned research institutions.

The budget imposes steep cuts on climate science across agencies – from the **National Oceanic and Atmospheric Administration** to the **National Science Foundation** to **Department of Energy** programs – that would harm the state's ability to monitor and assess climate risks and determine the best ways of addressing them.

The budget reneges on \$2 billion in contributions that the U.S. pledged to the **United Nations Green Climate Fund**. This cut deprives the fund of critical resources to promote clean-energy development and climate resiliency in developing countries. The budget makes these cuts even though several other countries have pledged more to the fund on a per-capita basis.

The budget eliminates the Department of Energy's **Weatherization Assistance Program**, which provided California \$5.9 million to help low-income families conserve energy and save money. We estimate that 1,866 households in the state benefited from this program, which not only reduced costs for participants but improved health and safety.

The budget eliminates the Department of Energy's **State Energy Program**, which is a driver of state action on energy issues. The program helps governors invest in efficiency and renewable energy priorities, enabling states to save energy and money through innovative programs and public-private partnerships. Last year, California received \$50 million through this program.

The budget eliminates the **Water and Wastewater Loan and Grant Program**, which provides funding for drinking water systems, sanitation, waste disposal, and storm water drainage. Local communities and utility districts across the state rely on this funding to upgrade their systems.

The budget puts funding at risk for a number of other water management and conservation grant programs, including the **Nonpoint Source Management Program**, the **Underground Storage Tank** leak prevention program, and the **Water Pollution Control Program**.

The deep cuts in Environmental Protection Agency funding also mean that a number of **air quality** enforcement and funding programs are at risk. Examples include programs that help the state reduce particulate matter from diesel and address high-ozone areas.

The budget puts funding for **environmentally-responsible land management** at risk, including the possibility of reductions in support for **hazardous waste clean-up**, remediation of plots of land that are contaminated and development of **brownfields**, and **site investigation** support, all of which collectively require millions of dollars in funding.

The budget eliminates the **Market Access Program** and the **Foreign Market Development Program**, which provides tens of millions of dollars to nonprofit commodity and agriculture trade associations in California to help local industry sell its products overseas.

Finally, the budget includes a range of other cuts: to the **National Resources Conservation Service**, whose programs are highly subscribed in California; reductions from the current appropriated level in the **Army Corps of Engineers' civil works** budget, which includes levee improvement and other flood protection projects; to the **Specialty Crop Block Grant** program, which provides California with \$21.7 million in support for a number of agricultural projects; and to the **Specialty Crop Pests** program, to protect against invasive species that damage crops.

Transportation

The budget proposes tens of billions of dollars in reduced outlays after fiscal year 2021 from the **Highway Trust Fund**, which would massively reduce core federal support for highway and transit projects across the state. Public-private partnerships, while helpful, cannot replace core funding.

The budget cuts the **Federal Transit Administration's Capital Investment Grants (New Starts)** program from \$2.4 billion to \$1.2 billion, limiting funding to projects with existing Full Funding Grant Agreements. California projects that need dollars – including the Sacramento and Orange County streetcars, the BART connection to San Jose, extensions of Metro and light rail service in Los Angeles, and expanding bus rapid transit in Fresno – would be unable to get them.

The budget cuts grants to **Amtrak** by over \$700 million by ending support for long-distance train services. This would cut support for the California Zephyr, Coast Starlight, Southwest Chief and Sunset Limited lines which serve many rural California communities, and would increase pressure on other services (such as the Capitol Corridor, San Joaquins, and Pacific Surfliner) that would bear more of the fixed cost of operations.

Finally, the budget eliminates the **Transportation Investment Generating Economic Recovery** grants, which has provided hundreds of millions of dollars to California over the last decade. These funds were especially useful to spur innovative, multi-modal and multi-jurisdictional transportation projects that required collaboration across a range of stakeholders.

Justice and Public Safety

The budget cuts \$10 million in funding for an **earthquake early-warning alert system** on the west coast that could provide additional time to respond to seismic activity, saving lives and infrastructure. The long-planned system needs these funds for completion. The budget also reduces funding by \$11 million for **tsunami-monitoring stations** in oceans and cuts funds for a next-generation **weather-forecasting** system, both of which will be critical in an emergency.

The budget eliminates funding for the **State Criminal Alien Assistance Program**, under which the state received \$50.6 million in federal reimbursements last year. The budget also cuts other justice-related funding that could harm rehabilitative services.

The budget eliminates federal funding for the **Legal Services Corporation**, which provides hundreds of millions of dollars in civil legal aid for low-income Americans.

Finally, the budget cuts a number of other public safety programs: the **Homeland Security Grant Program** and **Urban Area Security Initiative** program, which help protect key assets from our cyber-networks to the ports through which billions of dollars of goods pass through; the **Emergency Management Performance Grant** program which enables us to better prepare for and respond to disasters; and the **Pre-Disaster Mitigation Grant Program**, which improves state resilience at a time when resilience is so important for the future of California.